

Message Text

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ACTION NEA-10

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E.O. 11652 N/A

TAGS: EFIN, USINJC, IN, US

SUBJ: GEORGE BALL'S PHARMACEUTICAL MISSION TO INDIA

REF: STATE 26515

1. PILLAI DOUBTS THAT SITUATION IS AS DRASTIC AS THE NEWS REPORTS CITED BY WIEN SUGGEST. MANY IN PHARMACEUTICAL INDUSTRY BELIEVE SETHI'S STATEMENTS WERE INACCURATELY REPORTED IN NEWS-PAPERS. SETHI DID SAY THE GOVERNMENT WAS LOOKING INTO THE MATTER OF TAKING OVER FOREIGN DRUG FIRMS, BUT PILLAI'S SOURCES IN GOVERNMENT TELL HIM THAT BY EMPHASIZING HOW COMPLEX THE ISSUE WAS AND BY MENTIONING THE FACT THAT THE GOVERNMENT DOES NOT HAVE AVAILABLE RUPEES 1.4 BILLION THAT WOULD BE REQUIRED FOR COMPENSATION, SETHI, IN EFFECT INTENDED TO RULE OUT DIRECT NATIONALIZATION FOR THE TIME BEING.

2. SETHI DID SAY THAT GOAL OF GOI IS TO REDUCE FOREIGN EQUITY IN DRUG FIRMS TO 40 PERCENT AND, EVENTUALLY TO 26 PERCENT BUT THE MATTER OF HOW AND WHEN IS UNDER STUDY AND NO DECISION HAS BEEN MADE. IN PRIVATE CONVERSATIONS WITH OPPI REPRESENTATIVES, SETHI HAS SOUNDED MUCH MORE SYMPATHETIC THAN IN PUBLIC.

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3. PILLIA WAS INFORMED THAT A HIGH-POWER, INTERMEINISTERIAL

COMMITTEE ON PHARMACEUTICALS HAD DECIDED ON JANUARY 21 TO ASK FOR THE LEGAL POWER TO REQUIRE DRUG FIRMS TO REDUCE FOREIGN EQUITY TO 40 PERCENT, BUT HE DOES NOT EXPECT ACTION ON THIS REQUEST IN THE IMMEDIATE FUTURE. HE THINKS IT WOULD REQUIRE LEGISLATION ACTION TO REMOVE THE PHARMACEUTICAL INDUSTRY FROM THE CORE SECTOR IN WHICH FOREIGN EQUITY IS PERMITTED UP TO 74 PERCENT. EVEN IF THE COMMITTEE WERE TO GET SUCH POWERS, THE TIME FRAME FOR DILUTION WOULD STILL HAVE TO BE DETERMINED.

4. PILLAI HAS APPARENTLY GOTTEN WORD THAT INDUSTRY IN STATES IS DETERMINED TO SEND MISSION AND HE DOES NOT WANT TO APPEAR TO BE OPPOSING IT, EVEN THOUGH HE STILL HAS GRAVE RESERVATIONS OVER IMPRESSION IT WILL CREATE. HE BELIEVES THAT SOFT-TONE APPROACH IS ESSENTIAL. ANY DIRECT ATTACK, INDICATING OUTRIGHT HOSTILITY TOWARD GOI AIMS OF INCREASING INDIGENOUS ROLE IN INDUSTRY WILL IN HIS VIEW BE COUNTERPRODUCTIVE. HE IS ESPECIALLY DOUBTFUL ABOUT THREATS TO PULL OUT, AS HE BELIEVES THEY COULD WELL MOVE P.M. TO TELL THEM TO GO AHEAD AND PULL UP STAKES.

5. PILLAI SUGGESTS THAT MISSION'S APPROACH SHOULD BE THAT THEY COME TO ASSURE INDIA OF THEIR GOOD-WILL AND MUTUAL UNDERSTANDING. THEIR PURPOSE WOULD BE TO SEEK WAYS IN WHICH IT IS POSSIBLE TO COOPERATE SO THAT US INVESTMENT CAN ASSIST IN NEEDED EXPANSION OF INDIAN PHARMACEUTICAL INDUSTRY. IN THIS FRAMEWORK, HE BELIEVES THEY COULD SAFELY ADDRESS CONCERNS OF US FIRMS AND ASK FOR RECONSIDERATION TO SOME MEASURES THAT MIGHT SET BACK PROSPECTS FOR COOPERATION.

6. IN PRESENT CLIMATE, WE AGREE THAT IF GROUP IS DETERMINED TO GO THROUGH WITH VISIT THEY SHOULD USE APPROACH SUGGESTED IN PARA 5.
COURTNEY

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